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February 26, 2014

VIA ECFS

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12TH Street, SW
Washington, DC 20554

RE: Notice of Ex Parte Communication
MB Docket Nos. 09-182, 07-294, 10-71

Dear Ms. Dortch:

On February 24, 2014, I accompanied Jay Howell (Vice President – Television) and Joshua Pila (Senior Counsel) of LIN Television Corporation d/b/a LIN Media (“LIN”) in separate meetings with Matthew Berry, Chief of Staff for Commissioner Pai, Maria Kirby, Legal Advisor to Chairman Wheeler, Clint Odom, Policy Director for Commissioner Rosenworcel, and finally with Commissioner O’Rielly and Courtney Reinhard, his Senior Legal Advisor and Chief of Staff, in each case to express LIN’s concerns about proposals to attribute television stations that receive services under joint sales agreements (“JSAs”) for purposes of the FCC’s broadcast ownership limits.¹ We explained why a requirement to unwind existing JSAs would be a radical change that would harm all stakeholders, including consumers, employees and businesses, and we described how LIN’s sharing arrangements serve the public interest. We provided the attached presentation materials and discussed the points below.

Explaining the intensely competitive market for local television advertising and the effects of that competition on local broadcasting was a central focus of our presentations. We emphasized in particular that the record contains no data (or even any arguments) supporting attribution of ownership based solely on commercial arrangements for the sale of advertising time, and no data at all about competition in the market for local television advertising. For example, large and small MVPDs have joined together, on a market by market basis, to sell local television advertising through their own joint sales operations (called “local

¹ See 47 CFR § 73.3555.

interconnects”) in direct competition with local television stations. We explained that the local MVPD interconnects leverage the national scale of the largest MVPDs and have access to the very best and most expensive sales training and tools.

MVPD interconnects are not small, theoretical, isolated or irrelevant. They exist in all television markets in which LIN provides sales services by a JSA, and they compete directly and aggressively for the essentially fixed pool of local television advertising dollars. LIN and its JSA counterparties compete with MVPD “interconnects” for specific sales on a daily basis, and LIN and other broadcasters routinely lose sales to the jointly sold “interconnect” advertising. In fact, in each of LIN’s four JSA markets, local MVPDs sell advertising with respect to a larger share of viewing than LIN and its JSA counterparties combined.

We explained that joint selling by competing MVPDs to take advertising revenue from local broadcasters is only intensifying. We noted that MVPD giants DISH and DirecTV – the second and third largest MVPDs – recently announced they will jointly sell political advertising. MVPD interconnects and other joint sales arrangements among local MVPDs are taking larger shares of the local television advertising pie each year, and they cannot simply be ignored when considering an agency rule to regulate identical business practices by local broadcast stations with which they compete.

Attributing JSAs, which would be tantamount to prohibiting them, would materially undermine the public interest in local voices and local programming. Unlike broadcasters, MVPDs typically do not reinvest *any* of their local advertising revenue in local programming. This illustrates just one reason why arguments that broadcast sharing arrangements fundamentally undermine localism are superficial and wrong. If the Commission wishes to foster localism, it must fully understand how the local television market works so it can better predict the real effects of proposed changes to its rules. Ultimately, attribution of JSAs and/or required unwinding would undermine the public interest in a robust, free television service. It would do serious harm to viewers, employees, and broadcasters.

We noted that informed third parties, including media financial analysts, have expressed disbelief that a government agency would issue an order finding that commercial agreements it has carefully reviewed and approved, in some cases years ago and in other cases mere weeks ago, must be unwound because the government has suddenly shifted policy. All of LIN’s JSAs were designed by LIN and its counterparties to comply with the Commission’s ownership rules, preserving diversity while providing efficiencies that are necessary in the hyper-competitive media market that MVPDs, local interconnects, and new media.

We also explained that sharing arrangements affect real people. For example, employee benefits are more expensive (and less generous) for smaller organizations than for larger organizations with scale. Larger companies are also able to offer training, consultants, and access to expensive research. Unwinding the JSAs to which LIN is a party would cause

money to leave the media ecosystem to insurance costs and other administrative costs, which would not benefit the public interest.

We emphasized that, in contrast to MVPD interconnects run by the largest media companies in the country, LIN's JSAs are small operations serving small markets. LIN's JSAs are in markets ranked 64 or smaller. The sales team for WJCL(TV), which provides sales services to WTGS(TV) in Savannah, GA, for example, consists of 12 account executives. Efficiencies are enormously important in these smaller local markets, which have at best only enough local television revenue to support two to three viable newsrooms.

We explained that attributing television JSAs so that they are treated like radio JSAs would be arbitrary, since the FCC's local radio ownership had been substantially relaxed before radio JSAs were made attributable. In spite of a massive growth in competition in the last two decades, local television ownership remains strictly limited, little changed from the limits in place decades ago. New restrictions on television broadcasters should not be imposed in isolation; the full scope of the complex local television distribution market (including the impact of unregulated MVPD joint sales arrangements, the amount of revenue actually available to support local broadcasting, and the cost of operating a viable, competitive local broadcast station) must be considered.

We also discussed LIN's commitment to and investment in local programming, including news and sports. We explained that new rules that further tilt the playing field against free over-the-air broadcasting will result in more high cost programming, especially including local sports, moving from broadcast television to pay-only platforms. Specifically, we explained the fallacy of MVPDs' assertions that JSAs lead to rising retransmission fees and that rising retransmission fees cause higher retail prices for MVPD services. The cost of programming is rising across the board: all programmers, including broadcast stations and the cable networks they compete with, are contending with rising programming rights fees. Program rights holders sell to the programmers that pay the highest price. MVPD subscribers and advertisers ultimately pay the cost of those higher program rights fees, whether the programs are carried by broadcast stations or "pay only" non-broadcast networks.

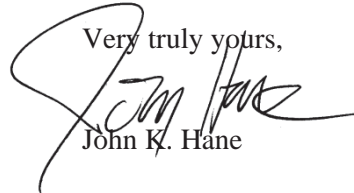
When programs are carried on broadcast stations there are major advantages for consumers. First, advertisers pay much more of the cost, so even with higher retransmission fees, MVPD subscribers pay far less to view a program on broadcast television than they would to watch the same program on a non-broadcast channel. Second, broadcast programming is available free to air at no cost to consumers who do not subscribe to MVPD service. Programs that appear on non-broadcast channels are available only as part of bundled MVPD subscription services.

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Should you have any questions about this correspondence, please contact the undersigned counsel.

Very truly yours,

A handwritten signature in black ink, appearing to read "John K. Hane", written over the typed name.

John K. Hane

CC (via email):

Jay Howell

Joshua Pila

Matthew Berry, Chief of Staff for Commissioner Pai

Maria Kirby, Legal Advisor to Chairman Wheeler

Clint Odom, Policy Director for Commissioner Rosenworcel

The Honorable Michael O'Rielly, Commissioner

Courtney Reinhard, Senior Legal Advisor and Chief of Staff for
Commissioner O'Rielly



The Bigger Picture on Sharing Arrangements

Jay Howell, Vice President, Television (LIN Media)

Joshua N. Pila, Senior Counsel (LIN Media)

John K. Hane, Partner (Pillsbury Winthrop Shaw Pittman)

February 24, 2014

Introduction

- As previously described in the record, LIN believes that sharing arrangements should not be attributable
- Concerned about near term proposal to attribute JSAs
- LIN's sharing arrangements designed to comply with rules while preserving diversity and providing efficiencies needed in hyper-competitive media market
- All of LIN's SSAs and JSAs were part of long-form applications
- LIN values transparency

Sharing Supports Localism and Local Markets

- LIN's examples in the record
- "We think additional FCC limitations on the creation of duopolies would not be in the public interest, as duopolies likely allow for a higher quality local product that would not be possible without scale." - David Bank, RBC Capital Markets, February 4, 2014 *Broadcasting Industry Overview*
- Sharing arrangements affect real people
 - Employee benefits
 - Access to training and resources
 - Stronger stations = better individual sales commissions

Sharing Arrangements Increase Competition

- “[W]e think [a change in attribution of sharing arrangements] would be unnecessary from a concentration of media ownership perspective, as new sources of competition, such as the Internet, effectively eliminate the threat of a monopolistic scenario in this context (which ownership rules were generally put in place to stop).” - David Bank, RBC Capital Markets, February 4, 2014 *Broadcasting Industry Overview*

- Affiliates smallest player in ecosystem
- MVPD Interconnects

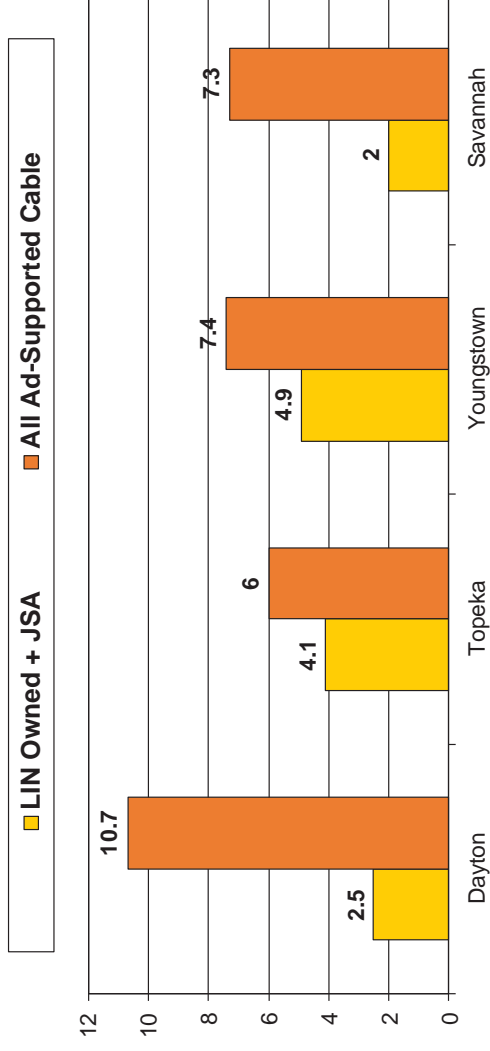
Competing with Interconnects

➤ MVPD AEs sell multiple networks, with more inventory and larger share of viewing

➤ MVPDs sell ads jointly in LIN JSA markets (Interconnects: Dayton: TWC, Topeka: Cox, Youngstown: Comcast, Savannah: Comcast)

➤ JSAs allow local broadcasters to compete with MVPDs, who do not invest in local programming

➤ Definition of “share”

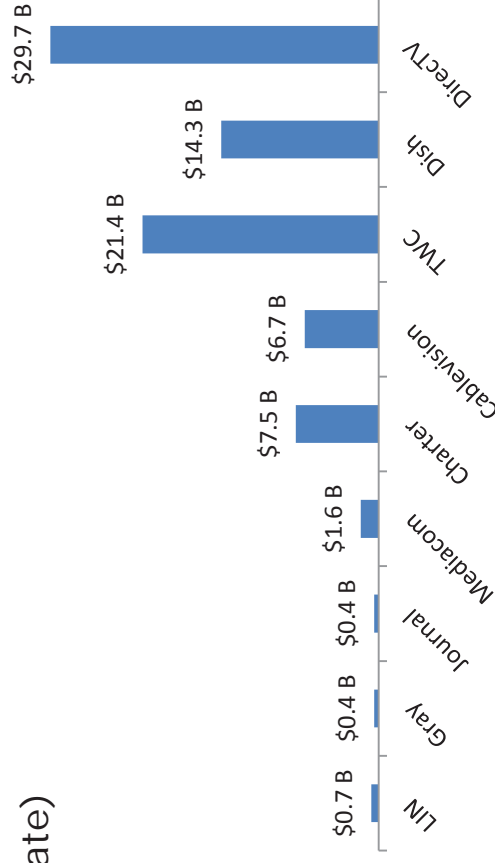


- Nov' 2013 M-Sun/6a-2a Adults 25-54 Gross Rating Point (GRPS) Analysis

Scale is Necessary

➤ Broadcast TV is the Smaller Player (Annual Revenues)

- LIN: ~\$661 Million (2013 Forecast)
- Gray: ~\$405 Million (2012)
- Journal: ~\$400 Million (2012)
- Mediacom: ~\$1.6 Billion (2013 Estimate)
- Charter: ~\$7.5 Billion (2012)
- Cablevision: ~\$6.7 Billion (2012)
- Time Warner: ~\$21.4 Billion (2012)
- Dish Network: ~\$14.3 Billion (2012)
- DirecTV: ~\$29.7 Billion (2012)



- Cash Flow Profit Margins: Cable = 41%, Broadcast = 19% (Deadline.com)
- Broadcast Ratings v. Fees Shows Uneven Marketplace Rebalancing

Sharing Arrangements Strengthen Diversity

- By strengthening marginal players, sharing arrangements strengthen voices in a marketplace
 - Better talent and resources
- Generally used in smaller markets where far less revenue is available to cover fixed costs
- Perspective on scale is important - these are not multi-billion dollar operations

Conclusion

- The paramount public interest is in robust free television service with high quality programming
- Employees, communities, and broadcasters have relied upon sharing arrangements
- Previous parties started 3 of 4 of LIN's JSA relationships -they were built into transaction economics and drove investment *after* FCC approval
- Record must be updated
 - JSAs should not be considered in a vacuum
 - TV rules and market in 2014 look nothing like radio in 2004
 - FCC should solicit input on costs and impacts of unwinding JSAs

Sharing Arrangements Benefit the Public



Providence, RI; #53 DMA

- Launched local community talk show: Dan Yorke's "State of Mind"
- Added live political debates
- Airs "Newsmakers" with two top investigative reporters



Savannah, GA; #92 DMA

- Broadcasts St. Patrick's Day & MLK Day Parades live
- Started "Famous Firsts" civil rights PSAs
- Airs Georgia Southern University and Savannah State University sports



Youngstown, OH; #113 DMA

- Airs different newscasts with different anchors at same time as LIN-owned WKBN
- Added live high school & Youngstown State University basketball games
- Launched local sports pre-game shows



Austin, TX; #40 DMA

- 30-sec. vignettes about local entertainment scene six times a day
- New morning newscast
- Unbuilt station before LIN involved



Topeka, KS; #134 DMA

- Became lead sponsor and promoter of First Annual Topeka Veterans Day Parade
- Increased donations to local non-profit groups to record levels
- Provided new weather and tornado tracking tools not previously available to KTKA



Dayton, OH; #64 DMA

- Increased localism with "CW Star" personality
- New CW-themed creative department with new facilities
- Added Bounce African-American multicast network



Albuquerque, NM; #47 DMA

- New hourly weather inserts
- Investments in HD and statewide distribution (e.g., additional translators for rural areas)
- Relaunching website with local community content



- All SSAs/JSAs passed upon by FCC in long-form apps
- Ownership reports for all Grandfathered LMAs

